

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE
April 14, 1997**

In Re: Application of United Telephone-)	
Southeast, Inc. for Certificate of Public)	
Convenience and Necessity to Provide)	Docket No. 96-01235
InterLATA Interexchange Telephone Service)	
Within Tennessee)	

**REPORT AND RECOMMENDATION OF HEARING OFFICER ON
INTRALATA TOLL DIALING PARITY PLAN**

On February 18, 1997, the Directors of the Tennessee Regulatory Authority ("TRA") appointed Director Melvin Malone to serve as the Hearing Officer in a Pre-Hearing Conference to be held in this proceeding. The purpose of the Pre-Hearing Conference was to provide a statement of issues, establish a discovery schedule and hearing date and consider other pre-hearing matters as appropriate. On March 27, 1997, a Pre-Hearing Conference was held in this proceeding.

By Order dated November 12, 1996, the Directors of the TRA ordered United Telephone-Southeast, Inc. ("United") to "submit a reasonable plan regarding implementation of One-Plus intraLATA pre-subscription ('intraLATA toll dialing parity') with the Authority no later than November 29, 1996." United filed its original IntraLATA Toll Dialing Parity Plan ("Dialing Parity Plan") on November 26, 1996. On February 7, 1997, AT&T Communications of the South Central States, Inc. ("AT&T") submitted a

letter to the TRA setting forth its concerns with respect to certain provisions of United's Dialing Parity Plan.¹

On March 20, 1997, the parties submitted to the TRA a Stipulation reflecting their compromise agreement as to United's Dialing Parity Plan. After reviewing the initial Stipulation submitted by the parties, including United's Dialing Parity Plan and United's Business Office Procedures, on March 25, 1997, the Hearing Officer forwarded to the parties a list of possible issues (the "List") for consideration at the Pre-Hearing Conference. The List is attached hereto as **Exhibit A**. The purpose of the List was to alert the parties that the Hearing Officer was concerned that the Dialing Parity Plan, dated March 20, 1997, and filed on March 21, 1997, failed to address certain material issues.

The Pre-Hearing Conference was held as scheduled on March 27, 1997, and the following appearances were entered:

James B. Wright, United Telephone-Southeast Inc., 14111 Capitol Boulevard, Wake Forest, North Carolina 27587-5900, on behalf of United Telephone-Southeast, Inc. Mr. Wright was accompanied by **Laura Sykora**, Regulatory Affairs Manager for United.

Jim Lamoureux, AT&T, 1200 Peachtree St., N.E., Atlanta, Georgia 30309, on behalf of AT&T.

Jon Hastings, Boulton, Cummings, Connors & Berry, 414 Union Street, Suite 1600, P.O. Box 198062, Nashville, Tennessee, 37219, on behalf of MCI Telecommunications Corporation.

¹ AT&T's Petition for Leave to Intervene was granted by the Directors of the TRA by Order dated September 10, 1996; MCI Telecommunications Corporation's Petition for Leave to Intervene was granted by the Directors of the TRA by Order dated March 17, 1997.

As alluded to above, the Hearing Officer was concerned that the initial Dialing Parity Plan was not FCC compliant and failed to adequately address certain issues of import to the TRA. Such issues, including, but not limited to, the cost recovery mechanism, customer notification and consumer education, nondiscriminatory access, PIC change charges and a waiver period, were raised by the Hearing Officer at the Pre-Hearing Conference and, as reported below, have been addressed and resolved by the parties.

Upon hearing from the parties at the Pre-Hearing Conference, and after reviewing the revised Stipulation, the revised Dialing Parity Plan and the revised Business Office Procedures, each dated April 4, 1997, and filed on April 7, 1997², the Hearing Officer reports as follows:

1. The parties have agreed that United will recover, from the intraLATA market, only the incremental costs of implementing intraLATA pre-subscription as set forth in United's Dialing Parity Plan. The parties have also agreed that United will allocate the recovery of such costs in a competitively neutral manner, according to originating intraLATA minutes of use, as set forth in United's Dialing Parity Plan. The parties represent that such cost recovery mechanism is compliant with the FCC's Second Report and Order 96-333, issued August 8, 1996, in CC Docket Nos. 96-98, 95-185, 92-237, NSD File No. 96-8, and IAD File No. 94-102 ("Second Report and Order").

2. The parties have agreed that United will use a bill message in order to notify and educate customers in United's territory of intraLATA pre-subscription. In addition,

² The revised Stipulation, the revised Dialing Parity Plan and the revised Business Office Procedures are attached hereto as **Collective Exhibit B**.

the parties have agreed that customers will receive a bill insert in order to notify and educate them of intraLATA pre-subscription.

3. The parties have agreed that United's Dialing Parity Plan provides nondiscriminatory access as required in Section 51.217 of the Second Report and Order.³

4. With respect to branding of operator services, the parties have agreed that United's Dialing Parity Plan complies with Section 51.217(d) of the FCC's Second Report and Order.

5. With respect to branding of directory assistance services, the parties have agreed that United's Dialing Parity Plan complies with Section 51.217(d) of the FCC's Second Report and Order.

6. With respect to subscriber listing information, the parties have agreed that United's Dialing Parity Plan complies with the FCC's Second Report and Order, and, in particular, ¶ 389 of the FCC's Second Report and Order

7. With respect to notification of network changes, the parties have agreed that United's Dialing Parity Plan complies with the FCC's Second Report and Order, and, in particular, §§ 51.305, 307, 325, 327, 329, 331, 333, and 335 of the FCC's Second Report and Order.

8. The parties have agreed that customers may contact either their provider of local exchange service or of interexchange service in order to request a change of their pre-subscribed intraLATA carrier.

³ The parties agreed during the Pre-Hearing Conference that industry standards and solutions have not yet been developed to allow total nondiscriminatory access. None of the parties view present limitations as material obstacles for competing providers at this time.

9. The parties have agreed that any fees charged by United for changing a customer's pre-subscribed intraLATA carrier shall be cost-based.

10. The parties have agreed that for a waiver period of 90 days from implementation, customers will not be assessed an intraLATA PIC change charge for their initial intraLATA toll carrier choice. During the 90-day waiver period, a charge of one-half of the interLATA PIC change charge will be assessed when the intraLATA and interLATA carriers are changed to the same carrier during one contact with the Business Office. Only the interLATA charge will be assessed when the intraLATA and interLATA carriers are changed to different carriers during one contact with the Business Office during the waiver period. The parties have also agreed on the methodology to be used in determining PIC change waiver costs and the recovery of those costs.

11. The parties have agreed that United will charge only one fee when, in a single transaction, a customer changes both his or her pre-subscribed intraLATA and interLATA carriers to the same carrier. The parties also agree that if a customer changes his or her pre-subscribed intraLATA and interLATA carriers to two different carriers, United may charge two fees.

12. The parties have included in the revised Business Office Procedures a provision for the handling of mis-directed intraLATA calls.

13. It is currently United's policy not to market its intraLATA services on calls with customers concerning non-intraLATA services.

14. At the request of the Hearing Officer, the parties have reviewed Rule 1220-4-2 of the TRA to determine whether it is applicable herein with respect to the Dialing Parity Plan. The parties have agreed that a charge will be established for unauthorized PIC

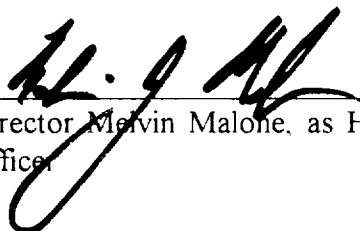
changes ("slamming") submitted by carriers or United for end-user customers. The parties have also agreed that United will be subject to the TRA Rule related to slamming.

15. The parties have represented to the TRA that the revised Dialing Parity Plan is FCC compliant in all respects.

After careful review of the revised Stipulation, the revised Dialing Parity Plan and the revised Business Office Procedures, the Hearing Officer recommends the following:


1. That the Directors of the TRA approve the Stipulation, the Dialing Parity Plan and the Business Office Procedures, as revised.

2. That, as set forth in the Orders of the TRA in this proceeding dated November 12, 1996, and January 28, 1997, the application of United Telephone-Southeast, Inc. for a certificate of public convenience and necessity to provide interLATA interexchange telephone service, on both a dedicated, non-switched basis and a switched basis be approved.



Director Melvin Malone, as Hearing
Officer

ATTEST:



Executive Secretary

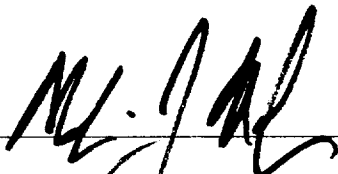
CERTIFICATE OF SERVICE

The undersigned hereby certifies that on April ~~14~~, 1997, the foregoing document was served upon the parties, by facsimile and by United States Mail with sufficient postage thereon to carry same to their destinations, properly addressed as follows:

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Melvin J. Malone, Director